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West Virginia District Office**

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WV District Office Recognizes Top 10 SBA Lenders

The West Virginia District Office would like to thank and recognize its top ten lenders of SBA 7(a) loans for fiscal year 2005. Overall the district office approved 256 7(a) loans for a total dollar amount of \$29.5 million. This represents an increase of 21 percent over fiscal year 2004.

The increase in the number of loans demonstrates that together, we can make a difference; that you have gone the extra mile and taken the extra time to help those small businesses that otherwise would not be able to obtain adequate financing. For this, we sincerely THANK YOU!

As our fiscal year 2005 draws to a close, we look forward to working with you to make 2006 the year of dramatic job creation and economic development for West Virginia's small businesses.

Top Ten SBA Lenders- FY 2005

	Bank	Loans	\$
1	Innovative Bank	106	\$760,000
2	Capital One	25	\$990,000
3	JP Morgan Chase	22	\$3,828,900
4	United Bank	9	\$4,362,900
5	The First State Bank	7	\$2,640,500
6	Branch Banking & Trust	7	\$896,000
7	Fifth Third Bank	6	\$3,026,200
8	Huntington National Bank	6	\$391,000
9	WesBanco Bank	5	\$1,008,000
10	Manufacturers and Traders Trust	5	\$331,900

Happy New Year!



FY 2006 Starts NOW!

Judy K. McCauley
District Director
West Virginia District Office

Elimination of LowDoc Loan Program

Effective September 30, the SBA will no longer approve loans under the LowDoc Program. SBA will take appropriate action to withdraw or modify regulations, Standard Operating Procedures (SOPs), and forms related to the LowDoc Program.

Except for loans in the lenders' "pipelines," all future 7(a) loan applications must be submitted to the district office covering the geographic location of the borrower, using the procedures and with the forms required for the standard 7(a) Program.

Any loan package not processed by a LowDoc Center prior to the close of business on September 30 will be shipped to the appropriate district office for approval as a standard 7(a) loan. The district office may need to contact the lender for additional information as necessary to make a loan decision, but the lender will not be required to re-initiate the entire application package.

The Agency recognizes that there is a "pipeline" issue with respect to loans in process at the lender. In order to not cause undue disruption to potential borrowers, SBA district offices will accept applications submitted using LowDoc forms until October 31. The loan processor will inform the lender as to what additional information may be required.

Statutory changes made to the Small Business Act last year preserved the higher guarantee percentage available for smaller-sized business loans. Those changes allow for all 7(a) loans made for \$150,000 or less that are not processed through *SBAExpress* to be guaranteed at 85 percent.

Questions concerning this issue should be directed to Dave Manley (david.manley@sba.gov) at (304) 623-5631 ext. 233.

Lender Training Available



The West Virginia District Office is committed to provide the West Virginia lending community with hands-on assistance in

order to make the SBA lending profitable for their institutions. Our staff is available to provide one-on-one assistance at your location on SBA loan

programs and walk you through the SBA loan application process.

We also have on-line training available through our ReadyTalk conferencing system. Training can be provided on 7(a), *SBAExpress*, CAPLines, Export Working Capital, International Trade, 504 or the Microloan programs all without you having to leave the comfort of your office. The training can be scheduled on an as needed basis and can be tailored to meet any specific need.

If you are interested in scheduling a personal or on-line training session, please contact Naomi Bassel (naomi.bassel@sba.gov) at (304) 623-5631 ext. 225.

New *SBAExpress* Lenders

We are pleased to announce the following lenders have been certified during FY 2005 as *SBAExpress* lenders.

- Freedom Bank
- Main Street Bank
- Ameribank
- Citizens National Bank
- Guaranty Bank & Trust

Has your lending institution applied for *SBAExpress* status yet? Don't miss this great opportunity to get a 50 percent guarantee from the SBA, use your own loan procedures, mostly your own forms, and your own collateral policy for loans up to \$150,000. With *SBAExpress*, you can make revolving lines of credit and collateral is not required for loans under \$25,000. For more information, contact Dave Manley (david.manley@sba.gov) at (304) 623-5631 ext. 233.

Lenders Lunch & Learn



We are again joining the West Virginia Small Business Development Center to conduct Lunch & Learn sessions for the West Virginia lending community. The first session will be held in

Huntington on Friday, November 18, beginning at 11:30 a.m. Additional sessions will be forthcoming. For further information and to register for the November 18 session, contact Amber Wilson at the Marshall Community & Technical College SBDC at (304) 696-6246 or by email at wilsona@marshall.edu.

7(a) Guaranty Application Revised, Old Forms Obsolete

New versions of Form 4, SBA Form 4-Schedule A and SBA Form 4-I.

The SBA Form 4, (Application for Business Loan), SBA Form 4-Schedule A (Lender's Application for Guaranty or Participation) are now renewed and are available on the SBA's website at www.sba.gov/library. Previous versions of these forms are obsolete.

The changes to the forms include the following:

Form 4-I: This form must be completed by the lender for each 7(a) loan application that submits a Form 4. The form now has an additional block, asking the lender to indicate the loan applicant's North American Industry Classification System (NAICS) code. The code identifies each type of small business and the SBA uses it to establish size standards for "small" versus "not small." The SBA's financial assistance programs are only available to business borrowers who meet the SBA's size standards.

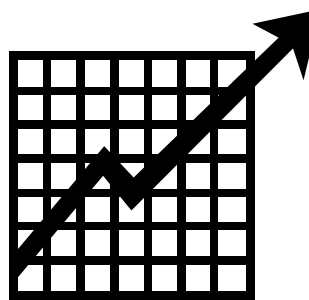
Form 4: The existing Form 4 asks for information concerning the applicant. One of the questions is about the applicant's other government debt. As revised, the instructive language is rephrased to provide clear guidance to the applicant about what information to include in this section.

The instructive language regarding identification of assistance the borrower has received in completing Form 4 is revised. Vietnam era veteran status is no longer required on the application, however, indication of military service-related disability status is required. Pursuant to Public Law 106-50, the SBA must report to Congress loan activity for service-disabled veterans. There is clarification on the questions regarding exporting. In addition, questions to identifying the SBA applicants who have received counseling or training from the SBA.

Form 4, Schedule A: This optional form as revised requires the lender to list the manufacturer, make, model, and etc. of the personal property items pledged as collateral that have a value in excess of \$5,000. Previously, the form required listing items with a value exceeding \$500. Therefore, the detailed listing will not include personal computers, printers and items of similar value.

Selling on the Secondary Market has its Benefits

Why should a lender consider selling the SBA guaranteed 7(a) loans in the secondary market?



One word helps to explain: premiums. Depending on the coupon adjustment frequency, payment frequency and

term, guaranteed portions can command as high as a 10 percent premium to the lender.

Premiums higher than 10 percent are possible; however, the SBA receives a portion of premiums in excess of 10 percent. Loans characterized by longer term, monthly pay attributes achieve the best price in the secondary market. Fixed rates generally trade at lower process; sometimes trading around par.

As long as the return of capital and premium can be used to finance other loans, selling makes sense. The effects of selling boost returns on the retained portion of the loan, unless it is an express loan, then the lender can sell 85 percent. Strategic selling can be considered an earnings management tool.

Premium is not the only consideration. Generally, the lender retains servicing of 1 percent of the loan amount. A healthy servicing portfolio can be build over time. You also retain direct communication with your customer, who usually is unaware that the loan has been transferred to the secondary market. Your solid underwriting requirements come to bear when the loan is cast. Options are more limited in a workout situation.

Let's review the benefits of selling:

- 1) You receive premium that can be re-invested into other loans
- 2) You retain the un-guaranteed portion, so your loan portfolio increases
- 3) You retain 1 percent servicing fee and the great relationship with your customer

The SBA's West Virginia District Office can answer loan origination questions. They can also refer lenders to secondary market participants.

The secondary market helps lenders with high loan demand generate income and lenders with lower loan demand invest in solid loans where credit quality is not a concern due to the full, faith and credit backing. Our next newsletter will feature the SBA's 7(a) investor's standpoint.

New “Ongoing Servicing Fee” Effective October 1

Each year the fees payable to SBA are reviewed to determine if they need to be adjusted for new loans to offset the estimated costs to the program as a result of losses. We have been instructed to notify our lenders of a revised “ongoing fee” for FY 2006 loans for both the 7(a) and 504 loan programs. (These fees are imposed under Section 7(a)(23) of the Small Business Act and Section 503(b)(7) of the Small Business Investment Act, respectively.) The adjusted fees together with the other fees paid to SBA will keep both of these lending programs at a zero subsidy rate. (The other fees payable to SBA remain the same.)

7(a) Loan Program:

For loans approved beginning October 1, the “ongoing servicing fee” paid by lenders to SBA will be 0.545 of one percent. This is a slight increase from the FY 2005 on-going fee of 0.500 of one percent.

504 Loan Program:

For loans approved beginning October 1, the “ongoing guarantee fee” paid by borrowers to SBA will be 0.192 of one percent. This is a slight decrease from the FY 2005 fee of 0.288 of one percent.

Instructions to Manually Change the 7(a) and 504 Authorizations

Version 2006 of the 7(a) and 504 authorizations (including the Wizard) will reflect these fee changes. The authorizations should be available by October 3, at www.sba.gov/banking.

For older versions of the authorizations, you can make a change to the fee as follows:

- In the 504 Authorization Wizard, change the “ongoing Guarantee Fee” from 0.288 to 0.192. Then click on the “default” button located in the same section. The value will then be set for all future 504 loan authorizations.
- For 7(a), the Authorization Wizard does not currently permit a change in the default. Once the 7(a) authorization is completed and disconnected from the Wizard, the change to the “Ongoing Servicing Fee” from 0.500 to 0.545 must be made to the individual Word document.

If you have questions about the changes in the ongoing fees, please contact our office at (304) 623-5631.

New 7(a) Authorization for FY 2006

The 2006 version of the 7(a) Authorization – which replaces the current Version 2004.2 – will be available for use beginning on October 3. It will be available at www.sba.gov/banking. **Lenders have until November 3, to convert to using this new version.**

If you have any questions regarding the 7(a) Authorization, please submit them to the 7(a) Authorization email box at auth-7a@sba.gov

KEY SBA INFORMATION

Maximum Guaranty Percentages

Regular 7(a) loans of \$150,000 or less.....	85%	SBAExpress (\$350,000 maximum).....	50%
Regular 7(a) loans greater than \$150,000.....	75%	SBA Export Express (\$350,000).....	85/75%
Export Working Capital Program.....		90%	

Guaranty Fees on loans exceeding 12 months in maturity. The Lender pays the fee and may pass it on to the borrower after first disbursement.

	<i>Based on SBA Guaranteed Portion</i>	<i>Based on Total Loan with Standard SBA Guarantees</i>	<i>Based on Total Loan with Express</i>
Loans of \$150,000 or less (Lender may keep .25% of fee)	2.00%	1.70%	1.0%
Loans between \$150,001 & \$700,000	3.00%	2.25%	1.5%
Loans greater than \$700,000	3.50%	2.625%	n.a.

Loans with a guaranteed portion in excess of \$1 million add an additional **.25%** guaranty fee on that portion.

The guaranty fee on a \$2,000,000 SBA loan is now \$53,750.

Guaranty Fee on all loans up to 12 months in maturity is only .25%, but must be submitted with the application

Lender Annual Service Fee: .50% of the outstanding balance of the SBA guaranteed portion of the loan. The fee is prorated and submitted monthly with your 1502 report (See Colson Services below for contact information). This fee may not be passed on to the borrower.

Interest Rate Limits

Term less than 7 yrs	WSJ Prime + 2.25%
Term of 7 yrs or more	WSJ Prime + 2.75%
Loan of \$25,000 or less	May add 2%
Loan of \$25,001 to \$50,000	May add 1%

SBAExpress limits are:

Your prime rate + 4.5% for loans over \$50,000

Your prime rate + 6.5% for loans of \$50,000 or less

West Virginia District Office Finance Division Staff

	Telephone	Individual Fax	e-mail addresses
David Manley	(304) 623-5631 ext 233	(202) 481-2617	david.manley@sba.gov
Naomi Bassel	(304) 623-5631 ext 225	(202) 481-4718	naomi.bassel@sba.gov

Key Web Sites

SBA Lender Homepage	www.sba.gov/banking
West Virginia District Office Homepage	www.sba.gov/wv/
SIC, NAICS codes and Size Standards	https://eweb1.sba.gov/naics
Franchise Registry Homepage	www.franchiseregistry.com/registry/
Immigration and Naturalization	www.ins.usdoj.gov/graphics/formsfee/forms
Exporting	www.export.gov

Important Addresses

West Virginia District Office
320 West Pike Street, Suite 330
Clarksburg, WV 26301
(304) 623-5631
Fax (304) 623-0023

Sacramento Loan Processing Center (PLP and SBAExpress)
U.S. Federal Courthouse
501 I St., Suite 12-100
Sacramento, CA 95814-2322
Fax (916) 930-2160

Guaranty Fee Payments
Small Business Administration
Denver, CO 80259-0001

Little Rock Commercial Loan Servicing Center
2120 Riverfront Dr., Ste100
Little Rock, AR 72202
(501) 324-5871
Fax (501) 324-6072
Lrsc.servicing@sba.gov

Colson Services
150 Nassau St.
New York, NY 10038
(212) 266-7998
(212) 266-7828 (1502 HELP)

National Guaranty Purchase Center
1145 Herndon Parkway
Herndon, VA 20170
(703) 487-9283
Fax (202) 481-4674
loanresolution@sba.gov
Hours: Monday to Friday
7:30 am to 6:30 pm